

1 February 1955

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Asian Economic Aid (WFO 5506)

1. WFO 5429/5 revised as recently as last month provides that the U.S. should provide:

"Such economic and technical aid over an extended period as can be used effectively to accelerate the present slow rates of economic growth, and to give to the peoples in these areas a sense of present progress and future hope, which is currently lacking."

The paper before you (WFO 5506 summarized in attached memorandum) asserts that the program it proposes (p. iii) is "consistent" with the foregoing. In my opinion it is not for the reason that the magnitude of the program is insufficient to achieve the minimum objectives of U.S. security policy in areas outside Formosa, Korea, and Indochina.

2. Only by setting aside the above three countries in which military considerations play a paramount part can one judge the adequacy of the program properly. The other countries of East and South Asia have an aggregate population of approximately 700 million. Under the proposed program total economic assistance to be provided in FY 1956 will be 228 million as compared with 169 million in FY 1955. This will provide approximately 30 cents per head.


3. The situation is even worse when one excludes half of the "Defense support" aid which consists primarily of subsidizing armed forces. 77 million of the 228 is in this category so that it can reasonably be asserted that our "economic" program for these 700 million people is well under \$200 million. Moreover, over 65 million is for "technical assistance" and only 86 million (all India and Nepal) is for a bona fide capital development program.

4. I will recognize that the underdeveloped countries of Asia are not appropriate subjects for a "Marshall Plan" because of their inability to absorb large quantities of industrial capital. But the lack of relevance of such an argument is apparent when one considers that the Marshall Plan for Europe provided at its height over \$1 billion for less than 300 million people each year or some \$13 per capita as compared with the present program's 25 cents per Indian and zero per inhabitant of most other countries.

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5. CRI analysts have computed that India will have to increase its capital formation by approximately \$80 million a year in order to match the achievements of Red China under its first 5-year plan. The London Economist, while citing no figure, states flatly that the ultimate success of India's efforts to combat Communism by achieving a minimum growth in its economy will depend on the adequacy of outside aid received in the next couple of years.

6. It is my strong view, and I would urge you to make this point to the Council as a matter of intelligence judgment, that the proposed program is inadequate to secure the minimum requirements of U.S. security in this phase and theater of the cold war.


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Deputy Director/Intelligence

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